

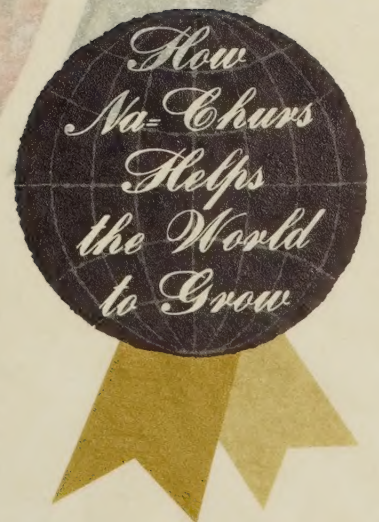


*Annual
report*
1971



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*How
Na-Churs
Helps
the World
to Grow*







Na-Churs International

ANNUAL REPORT

1971

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a letter from the president

To Our Shareholders:

Another successful year has just been completed, setting new records in sales and earnings. We have endeavored to give you, our shareholders, detailed information on the operations and financial condition of your Company. Statistical data on the 6-year growth story of Na-Churs can be found on pages 6 and 7.

At the Na-Churs International Directors' Meeting held on Thursday, November 18th, 1971, a resolution was passed to split the Na-Churs stock on a three-to-one ratio. This is to give a wider distribution of stock.

SALES:

Consolidated sales for the year ending September 30th, 1971, reached a record \$13,417,507, as compared to \$8,283,426 for the year ending September 30th, 1970. This is an increase of 62%. Our sales organization is continuing to grow as our product is becoming more and more accepted by the farmers in making the ultimate in profits and yields. The accompanying map indicates the area covered by our sales force. In the coming season, extensive training will be given all sales personnel plus adding an additional 500 men to our sales organization.

EARNINGS:

In 1971 earnings of \$2,333,537 before providing for income taxes set another record and exceeded the total of 1970 by \$1,223,121, or 110%. Net earnings were \$1,198,537 compared to \$555,416 in 1970. This is an increase of 115%. Income tax stands at \$1,135,000. Net earnings per outstanding share increased to \$2.35 from \$1.08 in 1970.

PLANTS AND PROPERTIES:

Net capital expenditures in the 1971 fiscal year for buildings, machinery and equipment was \$787,917. A major portion of our additions were bulk and farm storage tanks required to keep pace with our sales growth. In August we purchased land and started to build a new plant in Red Oak, Iowa. Included in this year's addition is \$94,000 of this project.

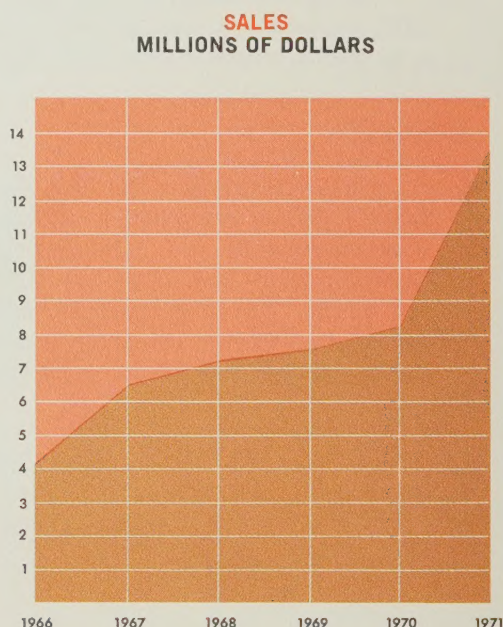
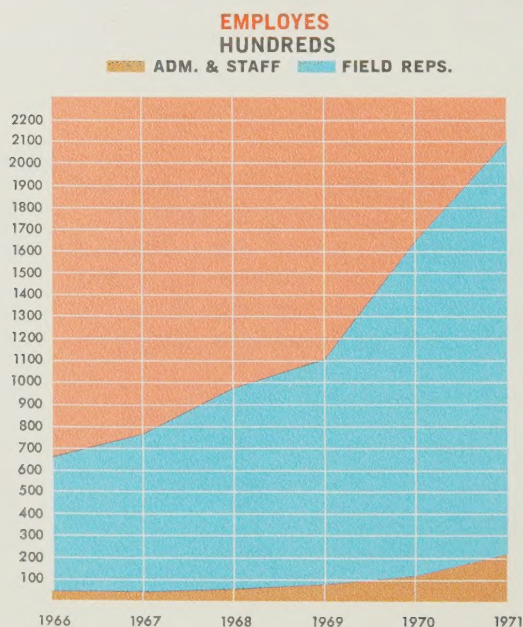
This new 20,000-square foot facility will serve a ten-state area and is scheduled for production on December 15th. Besides manufacturing facilities, there will be a complete soils lab and quality control staff at this location.

RESEARCH:

In 1971 Quality Control was given top priority. This, in conjunction with our new formulations, has been highly responsible for our dramatic growth. We are also carrying out extensive work on 125 acres just outside of Marion, Ohio, where research is done on various crops to keep us abreast of the latest techniques and growing conditions on farms today. Pictures of this research farm are on page 16.

CHANGES IN EXECUTIVES:

In 1971 Mr. A. W. "Denny" Graves, who holds a B.S. Degree in Business Administration with a major in Accounting, was appointed Controller for the Marion, Ohio, operation. Mr. Al Hemans was hired as Credit Manager to assist in conjunction with Mr. Lu Eddy, our present Credit Manager. London, Ontario, office announces the appointment of K. W. "Ken" Bell as new Credit Manager.



Assisting Mr. Lewis Holland in the Soils Department is Durgados Bhawnani who holds a M.S. Degree in Agriculture. A new assistant to Mr. Owen McIntyre in Quality Control is David Maxfield. Mr. William Jory has been appointed as Plant Superintendent of our Marion, Ohio, operation.

Being transferred to our Red Oak, Iowa, facility, is Mr. John "Bud" Goddard, who has been in sales with Na-Churs in South Dakota for the last three years and is now being promoted to General Manager for our Red Oak establishment. Transferred from Marion, Ohio: Mr. Dan Lepard as Plant Superintendent; Richard Schillinger in charge of Soils Department; and Don Treter, Quality Control.

OUTLOOK:

During the year of 1972 we plan on continuing to give top priority to Quality Control, Credit and the training of sales personnel. Our objective is to increase our sales force further by 500 men to continue the Na-Churs growth story.

We would like to express our appreciation and thanks to our shareholders and our employees throughout the Company who have contributed in making 1971 a successful year.

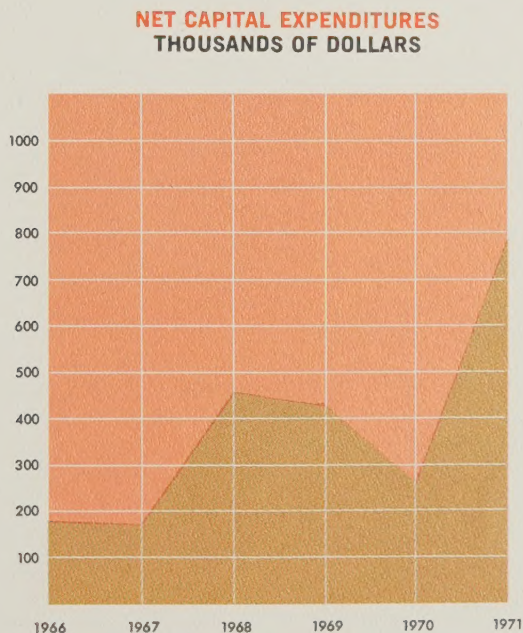
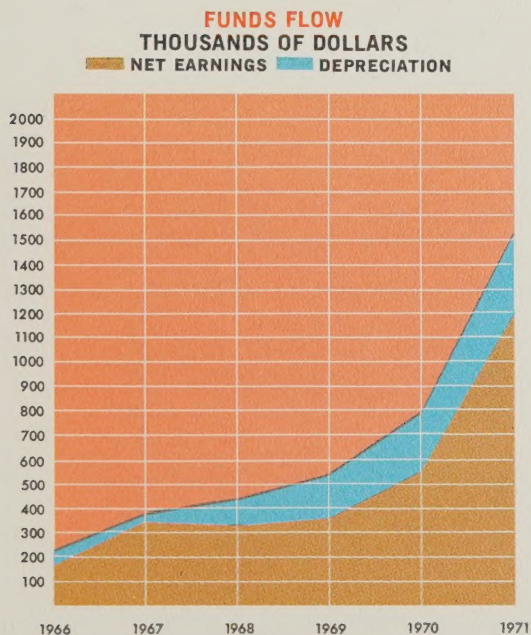
On behalf of the Board,

Allan L. Farrow

Allan L. Farrow
President

ALF/ss

November 23, 1971





NA-CHURS

directors

A. L. FARROW

President

Na-Churs International Limited

Director

B. W. EDNEY

Executive Vice-President

Na-Churs International Limited

Director

W. J. EVANS

President

S. F. Lawrason & Company Limited

Director

D. E. FOYSTON

Director of A. E. Ames & Co. Ltd.

Director

J. F. PETCH

Attorney Ivey & Dowler

Director

J. D. DONITHEN

President

Marion County Bank

Marion, Ohio

Director

E. J. ORENDORFF

Secretary-Treasurer

Na-Churs International Limited

HEAD OFFICE

Oakridge Park, London, Ontario, Canada

AUDITORS

Ernst & Ernst

STOCK EXCHANGE

Toronto Stock Exchange

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company, Toronto,

Winnipeg, Vancouver

Income Statistics

Net sales

Earnings before depreciation, interest on
long-term debt and income taxes

Depreciation

Interest on long-term debt

Earnings before income taxes

Income taxes

Net earnings

Per common share – before dilution

Per common share – fully diluted

Effective tax rate

Net earnings as % of sales

Balance Sheet Statistics

Current assets

Current liabilities

Working capital

Ratio of current assets to current liabilities

Net expenditures on plant and equipment

Long-term debt

Shareholders' equity

Common shareholders' equity per common share

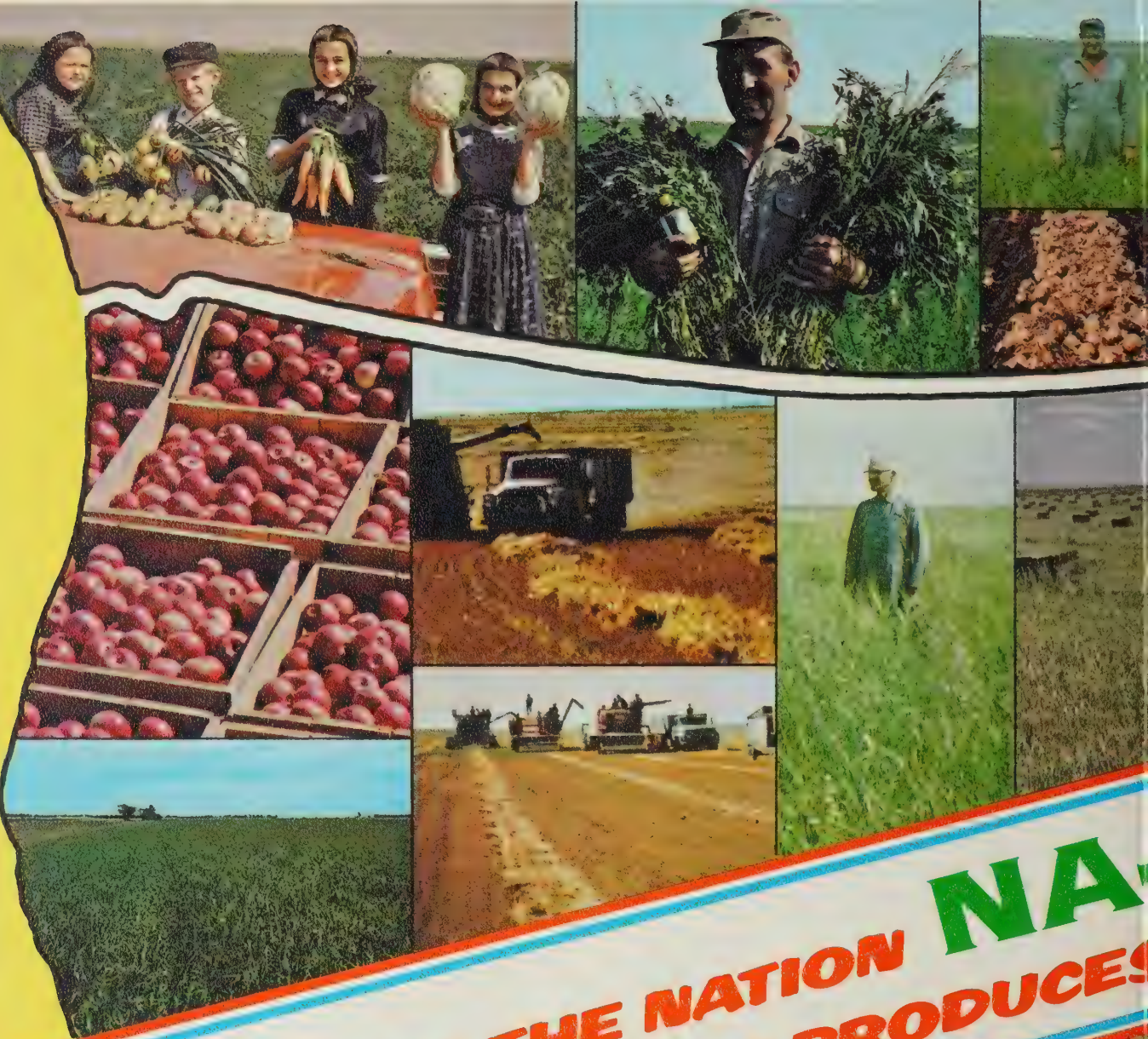
Common shares outstanding at year-end

Net earnings as a % of common shareholders' equity
(at beginning of year) after provisions
for preference dividends

GROWTH CONTINUES

1970	1969	1968	1967	1966	1965
\$13,417,507	\$8,283,426	\$7,717,986	\$7,312,039	\$6,617,255	\$4,226,559
2,662,308	1,393,563	917,215	727,629	688,726	351,624
302,756	236,539	193,185	109,758	42,298	38,790
26,015	46,608	6,296	3,940	4,776	3,242
328,771	283,147	199,481	113,698	47,074	42,032
2,333,537	1,110,416	717,734	613,922	641,652	309,592
1,135,000	555,000	373,000	290,270	300,962	131,634
1,198,537	555,416	344,734	323,652	340,690	177,958
2.348	1.085	.666	.644	.851	.445
2.267	1.044	.666	.644	.851	.445
48.6%	50.0%	52.0%	47.3%	46.9%	42.5%
8.9%	6.7%	4.5%	4.4%	5.1%	4.2%
\$ 6,085,888	\$4,021,130	\$4,442,496	\$3,274,373	\$1,991,968	\$1,298,015
3,610,094	1,956,004	2,726,604	1,995,836	1,489,565	1,090,719
2,475,794	2,065,126	1,715,892	1,278,537	502,403	207,296
1.7:1	2.1:1	1.6:1	1.6:1	1.3:1	1.2:1
\$ 787,917	\$ 265,247	\$ 428,176	\$ 458,636	\$ 179,551	\$ 185,788
288,339	422,474	556,461	65,634	74,698	85,404
4,153,864	2,950,907	2,405,913	2,077,313	876,735	528,482
7.72	5.38	4.29	3.64	1.60	.91
505,908	502,408	502,408	502,408	400,218	399,999
43.9%	25.2%	18.3%	49.0%	90.8%	90.2%

NOTE: 1969 and prior years have been restated in U.S. currency to compare to 1970 reporting.



ACROSS THE NATION NA-CHURS PROGRAM PRODUCES

NA-CHURS IS MAKING IT POSSIBLE for farmers to produce more bushels per acre of better quality cereal grains than ever before. That magic goal of 200 bushels of dry, shelled corn per acre is being met more often and in more areas every year. Sugar beet and grape growers are coming through with the highest sugar content in every area. Wheat is heavier, plumper and higher in protein. Produce farmers are achieving greater yields of more marketable, more profitable garden produce.

Foliar feeding is the best controlled, most efficient, and economical method of applying fertilizer yet devised. As much as 95% of the food is absorbed by the plant quickly and efficiently. And since it is profit after cost that really counts, NA-CHURS is your best buy in fertilizer.





NA-CHURS COMPLETE RECORD-BREAKING HARVESTS



MILLIONS OF GALLONS OF NA-CHURS have been sold to progressive farmers across the United States, Canada, Central and South America. They have proved to themselves through many thousands of check strips that NA-CHURS will bring to all of their crops greater yields, better quality, and earlier maturity. Check with your NA-CHURS Crop Service Representative today. He has some interesting answers to questions about the profit in your farming future.

FOLIAR APPLICATION OF NA-CHURS IS SIMPLE AND EASY.

Spraying saves time in the field. Liquid saves labor in storage. Any ordinary field, garden or grove sprayer operating at high pressure to produce a fine, misty spray will be just right for foliar feeding with NA-CHURS. Ask your NA-CHURS Crop Service Representative for the full story. He's probably a neighbor of yours.



Na-Churs

CONSOLIDATED

SEPTEMBER 30,

ASSETS		1971	1970
CURRENT ASSETS			
Cash		\$ 65,606	\$ 126,112
Accounts receivable:			
Trade		5,117,199	3,285,978
Other		66,211	97,935
Less allowances		(480,000)	(319,885)
		<u>4,703,410</u>	<u>3,064,028</u>
Inventories, at lower of cost (first-in, first-out) or market:			
Finished products		1,024,778	658,430
Work in process, raw materials and supplies		<u>246,983</u>	<u>123,774</u>
		1,271,761	782,204
Prepaid expenses, etc.		<u>45,111</u>	<u>48,786</u>
TOTAL CURRENT ASSETS		6,085,888	4,021,130
DEFERRED TAXES ON INCOME		109,000	61,000
PROPERTY, PLANT AND EQUIPMENT			
On the basis of cost:			
Land		68,639	31,859
Buildings and roadways		355,680	278,232
Plant equipment and storage tanks		1,984,730	1,470,058
Office furniture and equipment		96,878	74,839
Automotive equipment		13,828	13,656
Construction in progress — estimated additional cost to complete \$280,000		<u>57,115</u>	<u>-0-</u>
		2,576,870	1,868,644
Allowances for depreciation		<u>978,572</u>	<u>755,508</u>
		<u>1,598,298</u>	<u>1,113,136</u>
		<u>\$7,793,186</u>	<u>\$5,195,266</u>

See accompanying notes to consolidated financial statement.

International

LIMITED AND SUBSIDIARIES

BALANCE SHEET

(EXPRESSED IN UNITED STATES CURRENCY)

1971 and 1970

	LIABILITIES	
CURRENT LIABILITIES	1971	1970
Notes payable to banks on demand, secured by pledge of certain inventories and assignment of receivables	\$ 650,000	\$ 322,552
Trade accounts payable and accrued expenses	731,374	359,196
Commissions, bonuses and payrolls	1,060,968	681,506
Dividends payable	10,630	10,422
Taxes on income	898,011	448,209
Debt instalments due within one year — Note B	259,111	134,119
TOTAL CURRENT LIABILITIES	3,610,094	1,956,004
LONG-TERM DEBT		
Note B	29,228	288,355
SHAREHOLDERS' EQUITY		
Capital stock — Note C:		
Authorized:		
Class "A" preferred — 17,716 18/100 shares, 6% cumulative, par value \$10 Canadian per share, redeemable at \$11 Canadian per share		
Class "B" preferred — 200,109 shares, 6% non-cumulative, redeemable at par value of 45¢ Canadian per share		
Common — 1,000,000 shares without par value		
Issued and fully paid:		
Class "A" preferred — 17,716 18/100 shares	164,052	164,052
Class "B" preferred — 200,109 shares	83,385	83,385
Common — 505,908 shares including 3,500 shares issued for \$15,050 cash during the year	936,735	921,685
Retained earnings	1,184,172	1,169,122
	2,969,692	1,781,785
	4,153,864	2,950,907
	\$7,793,186	\$5,195,266

APPROVED ON BEHALF OF THE BOARD:

Allan L. Farrow, Director
Byron W. Edney, Director



Na-Churs International

LIMITED AND SUBSIDIARIES

EARNINGS-OPERATIONS

STATEMENT OF CONSOLIDATED INCOME (Expressed in United States currency)

YEARS ENDED SEPTEMBER 30, 1971 and 1970

	1971	1970
Net sales	\$13,417,507	\$8,283,426
Deductions:		
Costs and expenses other than depreciation, interest on long-term debt, taxes on income and extraordinary item	10,755,199	6,906,047
Provision for depreciation of plant and equipment	302,756	236,539
Interest on long-term debt	26,015	46,608
	<u>11,083,970</u>	<u>7,189,194</u>
INCOME BEFORE TAXES ON INCOME AND EXTRAORDINARY ITEM	2,333,537	1,094,232
Taxes on income:		
Current	1,183,000	587,000
Deferred (deduction)	(48,000)	(32,000)
	<u>1,135,000</u>	<u>555,000</u>
INCOME BEFORE EXTRAORDINARY ITEM	1,198,537	539,232
Extraordinary item — foreign exchange adjustment arising on consolidation	-0-	16,184
NET INCOME	<u>\$ 1,198,537</u>	<u>\$ 555,416</u>
Income per common share (after preferred dividends):		
Before dilution	\$ 2.348	\$ 1.085
Fully diluted	2.267	1.044
Expenses include remuneration paid or payable to senior officers and directors of the Company and its subsidiaries	<u>\$ 353,208</u>	<u>\$ 241,243</u>

See accompanying notes to consolidated financial statement.

STATEMENT OF CONSOLIDATED RETAINED EARNINGS
(Expressed in United States currency)
NA-CHURS INTERNATIONAL LIMITED
AND SUBSIDIARIES
YEARS ENDED SEPTEMBER 30, 1971 and 1970

	1971	1970
Retained earnings at October 1	\$1,781,785	\$1,236,791
Net income for the year	1,198,537	555,416
	<u>2,980,322</u>	<u>1,792,207</u>
Deduct dividends on Class "A" preferred shares	10,630	10,422
RETAINED EARNINGS AT SEPTEMBER 30	<u><u>\$2,969,692</u></u>	<u><u>\$1,781,785</u></u>

See accompanying notes to consolidated financial statement.

STATEMENT OF SOURCE AND APPLICATION OF CONSOLIDATED FUNDS
(Expressed in United States currency)
NA-CHURS INTERNATIONAL LIMITED
AND SUBSIDIARIES
YEARS ENDED SEPTEMBER 30, 1971 and 1970

	1971	1970
Source:		
From operations:		
Net income for the year	\$1,198,537	\$ 555,416
Provision for depreciation of plant and equipment	302,756	236,539
Deferred taxes on income	(48,000)	(32,000)
	<u>1,453,293</u>	<u>759,955</u>
Issue of common shares	15,050	-0-
TOTAL	<u><u>1,468,343</u></u>	<u><u>759,955</u></u>
Application:		
Additions to plant and equipment — net	787,917	265,247
Dividends on Class "A" preferred shares	10,630	10,422
Repayment and provision for repayment of long-term debt	259,128	135,052
TOTAL	<u>1,057,675</u>	<u>410,721</u>
INCREASE IN WORKING CAPITAL	<u>410,668</u>	<u>349,234</u>
Working capital at beginning of year	2,065,126	1,715,892
WORKING CAPITAL AT END OF YEAR	<u><u>\$2,475,794</u></u>	<u><u>\$2,065,126</u></u>
Represented in:		
Current assets	\$5,005,088	\$4,021,130
Current liabilities	3,610,094	1,956,004
WORKING CAPITAL AT END OF YEAR	<u><u>\$2,475,794</u></u>	<u><u>\$2,065,126</u></u>

See accompanying notes to consolidated financial statement.

notes to consolidated financial statements



NA-CHURS INTERNATIONAL LIMITED AND SUBSIDIARIES

SEPTEMBER 30, 1971

NOTE A — PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries:

London, Ontario, Canada:
Na-Churs Plant Food Company (Canada) Limited
The Berlou Company (Canada) Limited

Marion, Ohio, U.S.A.:
Na-Churs Plant Food Co.
Berlou Manufacturing Company
Tri-State Trucking Inc.

Inter-company accounts and transactions have been eliminated.

The financial statements are stated in United States dollars. Amounts in Canadian funds have been translated into United States funds on the following basis:

- (a) Current assets and current liabilities at approximate year-end rates.
- (b) Property, plant and equipment, deferred taxes on income, long-term debt and capital stock at historical rates.
- (c) Income, costs and expenses at average rates for the year.

The unrealized foreign exchange adjustment arising on consolidation has been treated as other income in the income statement for the year.

NOTE B — LONG-TERM DEBT

	ANNUAL PAYMENT	SEPTEMBER 30 1971	1970
Mortgages:			
5%, due January, 1972	\$ 493	\$ 493	\$ 979
6%, due December, 1975	346	1,384	1,753
5½%, due January, 1976	8,284	36,474	44,750
Deferred bank note, due September, 1972, interest 1% above prime rates, currently 7%	249,988	249,988	374,992
	<u>\$259,111</u>	<u>288,339</u>	<u>422,474</u>
Instalments due within one year		259,111	134,119
		<u>\$ 29,228</u>	<u>\$288,355</u>

The loan agreement relating to the 7% note payable to the bank requires Na-Churs Plant Food Co., among other things, to maintain a net working capital position of not less than \$1,000,000 and prohibits any distribution of assets to shareholders or cash dividends in excess of \$15,000 in any fiscal year and then only from earnings during such year.

Subsequent to September 30, 1971, the company arranged to accelerate the due date of the 7% note payable to bank. Under the revised terms, the balance of the note is due within one year.

NOTE C — STOCK OPTIONS

Under the terms of the stock option plan for executives and key employees of the Company and its subsidiaries, options not in excess of 5,000 shares per person or 25,000 shares in the aggregate may be granted to purchase authorized but unissued common shares of no par value. To September 30, 1971, options have been granted to six employees for a total of 23,000 shares at a price of \$4.30 Canadian per share (quoted market at September 30, 1971, \$17.00 Canadian per share).

The following summarizes transactions in stock options:

	NUMBER OF OPTIONED SHARES EXPIRING SEPTEMBER 30		
	1972(A)	1974(B)	TOTAL
Granted during year ended September 30, 1970	3,000	20,000	23,000
Exercised in year ended September 30, 1971	-0-	3,500	3,500
OPTIONS OUTSTANDING AT SEPTEMBER 30, 1971	<u>3,000</u>	<u>16,500</u>	<u>19,500</u>

- (a) One-third of these shares may be taken up cumulatively in each year.
- (b) One-fifth of these shares may be taken up cumulatively in each year.

NOTE D — SUBSEQUENT EVENT

In early October 1971, a demand loan was obtained from the bank by a subsidiary in the amount of \$250,000.

AUDITORS' REPORT

To the Shareholders,
Na-Churs International Limited.

We have examined the consolidated balance sheet of Na-Churs International Limited and its subsidiaries as at September 30, 1971, and the related statements of consolidated income, consolidated retained earnings and consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the consolidated financial statement for the preceding year.

In our opinion, the accompanying consolidated financial statement presents fairly the consolidated financial position of Na-Churs International Limited and its subsidiaries at September 30, 1971, and the consolidated results of their operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst
Chartered Accountants

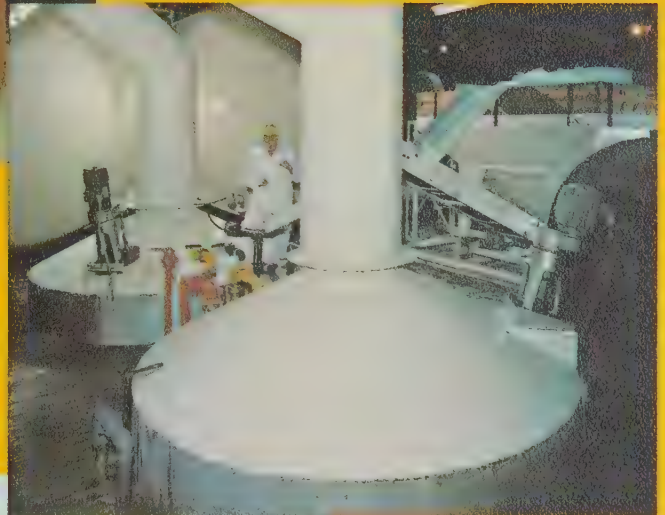
November 9, 1971.



in the *Na-Churs* plant



NA-CHURS SOILS LABORATORY



THE REACTORS



ONE OF THE FLEETS OF MODERN TRUCKS
SERVICING DISTRIBUTION CENTERS DAILY



the *Na-Churs* experimental farm

The photographs shown on this page are of the Na-Churs Experimental Fields. An ongoing, controlled experimentation program to improve the performance of Na-Churs is maintained. It is to this farm that Na-Churs Representatives look for practical answers to farming production.



Na-Churs Newest Manufacturing Facility
Red Oak, Iowa

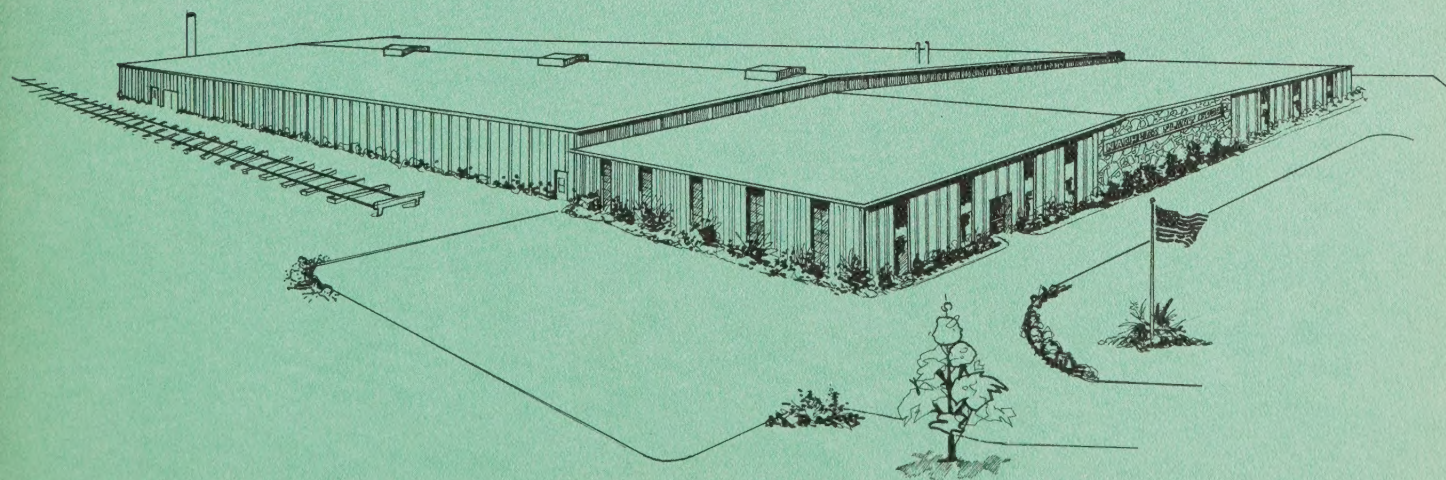
Red Oak, Iowa
No-Churn Newest Manufacturing Facility



NA-CHURS

MANUFACTURING PLANTS
AND STORAGE FACILITIES
THROUGHOUT CANADA
AND THE UNITED STATES.

- ★ MANUFACTURING PLANTS
- STORAGE FACILITIES





Na-Churs
International
LIMITED

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Marion, Ohio

London, Ontario, Canada

Red Oak, Iowa

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